

ONE HUNDRED FIFTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
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WASHINGTON, DC 20515-6115

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**MEMORANDUM**

**October 11, 2017**

**To: Subcommittee on Energy Democratic Members and Staff**

**Fr: Committee on Energy and Commerce Democratic Staff**

**Re: Hearing on “Department of Energy Missions and Management Priorities”**

On **Thursday, October 12, 2017, at 10:00 a.m. in room 2123 of the Rayburn House Office Building**, the Subcommittee on Energy will hold a hearing on “Department of Energy Missions and Management Priorities.” The sole witness for this hearing will be Secretary of Energy Rick Perry.

**I. DEPARTMENT OF ENERGY FISCAL YEAR 2018 BUDGET**

The President’s FY 2018 budget requests \$28 billion for the Department of Energy (DOE), which represents a \$4.5 billion decrease from the FY 2017 enacted level. Among the decreases in DOE’s proposed budget are drastic cuts in federal investments in clean energy programs, power grid operations and next-generation energy technologies.<sup>1</sup>

DOE's Office of Science, which funds operations of 17 national laboratories, would face a \$1 billion, or 17 percent reduction, from fiscal 2017 levels. Funding of the Office of Electricity Delivery and Energy Reliability would decrease by 41 percent, to \$123 million, with the largest cuts in investment on what the budget describes as "cutting edge, early-stage research", threat-sharing efforts and cyberattack management for energy systems.<sup>2</sup>

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<sup>1</sup> U.S. Department of Energy, *FY 2018 Congressional Budget Request – Budget in Brief* (May 23, 2017) ([energy.gov/sites/prod/files/2017/05/f34/FY2018BudgetinBrief\\_3.pdf](http://energy.gov/sites/prod/files/2017/05/f34/FY2018BudgetinBrief_3.pdf))

<sup>2</sup>*Id.*

The budget proposal would eliminate the Advanced Research Programs Agency-Energy (ARPA-E) in FY 2019.<sup>3</sup> This program is responsible for funding innovative but riskier energy technologies, and represents the largest federally-funded investment in clean energy R&D, linked to private-sector support.

The Office of Energy Efficiency and Renewable Energy would also be cut by 41 percent from FY 2017 levels. Funding in new obligations would decrease to \$1.28 billion, and appropriations for FY 2018 would drop to \$636 million.<sup>4</sup> These reductions would impact wind and solar energy, advanced vehicles, advanced manufacturing and energy efficiency. The Trump Administration's proposed budget reductions from FY 2017 levels represents a nearly 50 percent cut to key DOE climate and clean energy programs and initiatives advanced under the Obama Administration.

Funding under the proposed budget for the Infrastructure Security and Energy Restoration office would remain the same at \$9 million. This office is responsible for coordinating the defense and recovery of the nation's power grid following national emergencies, including cyberattacks, natural disasters or massive solar storms. However, the FY 2018 budget proposal would eliminate the Office of Energy Policy and Systems Analysis, the department responsible for providing overall policy advice and program evaluation. The budget proposal states that this office is being cut in order "to eliminate duplication."<sup>5</sup>

Other significant proposed budget requests for DOE are as follows:

- Funding for cybersecurity for energy delivery systems would decrease from \$62 million to \$42 million.
- Energy storage programs would be cut from \$20 million to \$8 million.
- The Title XVII loan guarantee program for innovative energy technologies would be eliminated.
- Funding for clean energy transmission and reliability would decrease from \$39 million to \$13 million and the program's name would change to "Transmission Reliability."
- Investment in smart grid R&D would decrease from \$35 million to \$10 million from FY 2017 levels.
- The proposed budget would also decrease the size of the Strategic Petroleum Reserve by half, saving \$16.6 billion over a decade.<sup>6</sup>

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<sup>3</sup> *Id.*

<sup>4</sup> U.S. Department of Energy, *FY 2018 Budget Request Fact Sheet* (May 23, 2017) ([energy.gov/sites/prod/files/2017/05/f34/DOEFY2018BudgetFactSheet.pdf](http://energy.gov/sites/prod/files/2017/05/f34/DOEFY2018BudgetFactSheet.pdf))

<sup>5</sup> U.S. Department of Energy, *FY 2018 Congressional Budget Request – Budget in Brief* (May 23, 2017) ([energy.gov/sites/prod/files/2017/05/f34/FY2018BudgetinBrief\\_3.pdf](http://energy.gov/sites/prod/files/2017/05/f34/FY2018BudgetinBrief_3.pdf))

<sup>6</sup> *Id.*

The budget proposal requests \$13.9 billion for the National Nuclear Security Administration (NNSA), a \$1.4 billion increase from the FY 2017 annualized CR level, to support DOE's nuclear security responsibilities. The request includes funding to maintain a safe, secure and effective nuclear deterrent without testing, including life extension programs for major weapons systems and modernization of the Nation's research and production infrastructure.<sup>7</sup>

The budget proposal also includes \$1.8 billion for Defense Nuclear Nonproliferation, \$143 million below the FY 2017 annualized CR level. This program is designed to continue missions across the entire nuclear threat spectrum. The proposal includes \$270 million, \$70 million below FY 2017, to eliminate the Mixed Oxide (MOX) Fuel Fabrication Facility, and \$9 million to pursue the dilute and dispose method as an alternative. There is also \$1.5 billion for Naval Reactors, an increase of \$106 million from the FY 2017 level, to support the current fleet and to create the future fleet.<sup>8</sup>

A table comparing DOE's recent enacted appropriations with the Administration's fiscal year 2018 proposal is included as an addendum at the end of this memo.

## **II. DEPARTMENT OF ENERGY DISASTER RESPONSE**

DOE is the lead federal agency charged with securing U.S. energy infrastructure against all hazards, including severe weather. The Infrastructure Security and Energy Restoration Division (ISER), which is within the Office of Electricity Delivery and Energy Reliability, takes the lead in responding to and facilitating recovery from energy disruptions.<sup>9</sup> Hurricane Maria, which made landfall on September 20, 2017, caused severe damage to the central electric power systems in Puerto Rico and the U.S. Virgin Islands. As of October 10, 2017, it is estimated that 84 percent of customers in Puerto Rico are without power. In the U.S. Virgin Islands, that same figure stands at 86 percent in St. Thomas, 88 percent in St. Croix and 100 percent in St. John.<sup>10</sup> Hurricanes Irma and Harvey also caused significant stress to the electricity grid in Florida, Texas and surrounding states.

Emergency Support Function #12 (ESF-12) responders have been deployed to Puerto Rico and the U.S. Virgin Islands, and a team from the Western Area Power Administration (WAPA), which is a part of DOE, is currently stationed on St. Thomas.<sup>11</sup> In addition, there are three other Power Marketing Administrations (PMAs) under DOE: the Bonneville Power

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<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> U.S. Department of Energy, *Infrastructure Security and Energy Restoration* (energy.gov/oe/mission/infrastructure-security-and-energy-restoration-iser) (accessed Oct. 10, 2017).

<sup>10</sup> U.S. Department of Energy, *Hurricanes Nate, Maria, Irma & Harvey - October 10 Event Summary (Report #61)* (Oct. 10, 2017).

<sup>11</sup> *Id.*

Administration, the Southeastern Power Administration, and the Southwestern Power Administration. It is unclear how many employees from WAPA have been sent, or if employees of other PMAs have been deployed. ESF-12, which is coordinated by DOE, is a support team under the National Response Framework that is responsible for providing emergency response in areas where energy infrastructure has been severely damaged.<sup>12</sup>

### **III. REPUBLICAN REFORM AND REAUTHORIZATION EFFORTS AND COMMITTEE JURISDICTION**

In February, Chairman Walden announced that he had named Rep. Barton to lead a DOE reauthorization and comprehensive review effort. At the time, Chairman Walden said he expected “the DOE review to last at least through the current congressional session, or about two years.”<sup>13</sup> Since that time, Rep. Barton has said publicly that he began drafting the reauthorization bill during the August recess, in advance of possible hearings and industry roundtables this fall.<sup>14</sup> The Chairman has also said that he wants to address “regulatory creep” which he said “can result in too much regulation when legislation hasn’t changed and technology has advanced in the industries monitored by federal agencies.”<sup>15</sup>

The Government Accountability Office (GAO) has identified 111 programs with expired authorizations across all of DOE’s functions. While DOE administers many programs, with a few exceptions like its energy efficiency program and its environmental management functions, most of its programs are not regulatory in nature. DOE oversees a wide spectrum of programs and facilities, including the nation’s nuclear weapons complex housed in the National Nuclear Security Administration (NNSA) and the national laboratories. The Committee shares jurisdiction over the NNSA and labs with the Armed Services and Science Committees.

### **IV. PERRY PROPOSED RULE TO FERC FOR COAL AND NUCLEAR**

On September 28, 2017, Secretary Perry transmitted to the Federal Energy Regulatory Commission (FERC) a proposed rule to address the Trump Administration’s concern that regulated wholesale electricity markets are not adequately pricing the “resiliency attributes” of baseload power sources, mainly coal and nuclear generation. The Secretary’s Notice of

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<sup>12</sup> U.S. Department of Energy, *ESF 12 Events* ([energy.gov/oe/services/energy-assurance/response-and-restoration/esf-12-events](http://energy.gov/oe/services/energy-assurance/response-and-restoration/esf-12-events)) (accessed Oct. 10, 2017).

<sup>13</sup> The Foster Report, *House Energy Committee Chairman Walden Taps Rep. Joe Barton to Lead DOE Reauthorization Effort* (Feb. 13, 2017) ([www.fosterreport.com/featured-stories/house-energy-committee-chairman-walden-taps-rep-joe-barton-lead-doe-reauthorization-effort/](http://www.fosterreport.com/featured-stories/house-energy-committee-chairman-walden-taps-rep-joe-barton-lead-doe-reauthorization-effort/)).

<sup>14</sup> *House energy chairman Greg Walden eyes new direction for Energy Department*, Washington Examiner (Sep. 5, 2017) ([www.washingtonexaminer.com/house-energy-chairman-greg-walden-eyes-new-direction-for-energy-department/article/2633391](http://www.washingtonexaminer.com/house-energy-chairman-greg-walden-eyes-new-direction-for-energy-department/article/2633391)).

<sup>15</sup> *Id.*

Proposed Rulemaking (NOPR) directed FERC to take final action on his proposal within 60 days of the NOPR's publication in the Federal Register.

In forwarding this proposal to FERC, the Secretary invoked his authority under section 403 of the Department of Energy Organization Act to propose to FERC rules, regulations and general policy statements already within FERC's jurisdiction. FERC is required under Section 403, to consider such proposals expeditiously; however, it does not require FERC to adopt in whole or in part any proposal made by the Secretary.

The Secretary's proposal focuses on the terms "resilient" and "resiliency," which are terms not used in the Federal Power Act, unlike "reliable" and "reliability," which Congress uses throughout the Act. Instead, the Secretary requested that FERC use its authority under sections 205 and 206 – which deal with rates – to implement new market rules that would create certain requirements for pricing "fuel secure" "baseload" power.

## **V. SECRETARY PERRY'S USE OF PRIVATE CHARTER PLANES**

Recently, Secretary Perry has been criticized for a series of non-commercial flights he has taken since being confirmed as the Secretary of Energy. Details of his flights, revealed in connection with a Trump Administration response to an inquiry by the House Oversight and Government Reform Chair and Ranking Member, are being scrutinized in the wake of Tom Price's resignation as Health and Human Services Secretary due to excessive and inappropriate uses of charter and military flights.

According to the Washington Post, Secretary Perry has taken six trips on government or private planes, with a total cost of approximately \$56,000. All of the trips received ethics approval; however, many of the destinations are served by commercial airlines, raising the question of whether the expenses were necessary.<sup>16</sup>

The single largest and most controversial expense (\$35,000) involved a round trip flight Secretary Perry and others took on a Federal Aviation Administration Gulfstream jet from National Airport to the New Century AirCenter in Olathe, Kansas on May 17, for a "Small Business Forum & Expo" hosted by the Energy Department, as well as to tour a facility operated by the National Nuclear Security Administration in Kansas City. According to press reports, the New Century airport is a 45 minute drive from the Kansas City International Airport; at least two airlines offer non-stop flights from National to Kansas City International.<sup>17</sup>

Other controversial flights detailed in the submission to the House Oversight Committee include:

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<sup>16</sup> *Scrutiny widens over travel costs for Trump cabinet members*, Washington Post (October 9, 2017) ([www.philly.com/philly/news/politics/presidential/trump-white-house-charter-flights-tom-price-20171009.html](http://www.philly.com/philly/news/politics/presidential/trump-white-house-charter-flights-tom-price-20171009.html)).

<sup>17</sup> *Perry defends travel, as inquiry widens*, The Houston Chronicle (Oct. 9, 2017) ([www.chron.com/business/energy/article/Perry-defends-travel-as-inquiry-widens-12263778.php](http://www.chron.com/business/energy/article/Perry-defends-travel-as-inquiry-widens-12263778.php))

- a September 28 private charter from Dulles Airport to Hazleton, Pennsylvania and Portsmouth, Ohio, at a cost of some \$11,000;
- a May 9-11 trip on a Defense Department plane to travel from Idaho Falls, Idaho to Santa Fe, New Mexico and later from Santa Fe to Carlsbad, New Mexico estimated at \$7,000.
- An August roundtrip flight from Seattle to Richland, Washington on a plane owned by the Bonneville Power Administration, a quasi-independent utility within DOE, to fly from Seattle to Richland, Wash., to visit the Hanford nuclear site in August. The cost of the trip: \$3,246.<sup>18</sup>

## VI. WITNESS

The following witness has been invited to testify:

**The Honorable Rick Perry**  
Secretary  
United States Department of Energy

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<sup>18</sup> *Energy Department discloses \$56K in Perry travel*, Politico Pro Energy (Oct. 6, 2017) ([www.politicopro.com/energy/story/2017/10/energy-department-discloses-56k-in-perry-travel-163117](http://www.politicopro.com/energy/story/2017/10/energy-department-discloses-56k-in-perry-travel-163117))

**Table I. Department of Energy  
Budget by Appropriation**  
(\$ millions)

	<b>FY2016 Enacted</b>	<b>FY2017 Enacted</b>	<b>FY2018 Request</b>
<b>ENERGY PROGRAMS</b>			
Energy Efficiency and Renewable Energy	\$2,069.2	\$2,069.1	636.0
Electricity Delivery and Energy Reliability	206.0	205.6	120.0
Nuclear Energy	986.1	984.3	703.0
Fossil Energy R&D	632.0	630.8	280.0
Naval Petroleum and Oil Shale Reserves	17.5	17.5	4.9
Strategic Petroleum Reserve	212.0	211.6	180.0
Northeast Home Heating Oil Reserve	7.6	7.6	6.5
Uranium D&D Fund	673.7	767.0	752.7
Energy Information Administration	122.0	121.8	118.0
Non-Defense Environmental Cleanup	255.0	254.5	218.4
Science	5,347.0	5,336.8	4473.0
Advanced Research Projects Agency – Energy (ARPA-E)	291.0	290.4.0	20
Departmental Admin. (net)	131.0	130.7	145.7
Office of Indian Energy Policy and Programs	16.0	16.0	10.0
Office of Inspector General	46.4	44.4	49.0
Innovative Technology Loan Guarantee Program	17.0	14.9	0
Advanced Technology Vehicles Manufacturing Loan Program	6.0	6.0	0
<b>TOTAL, ENERGY PROGRAMS</b>	<b>11,019.6</b>	<b>11,094.9</b>	<b>7805.3</b>
<b>DEFENSE ACTIVITIES</b>			
<b>National Nuclear Security Administration (NNSA)</b>			
Weapons Activities	8,846.9	8830.1	10,239.0
Nuclear Nonproliferation	1,940.3	1,936.6	1793.0
Naval Reactors	1,375.5	1372.9	1480.0
Federal Salaries and Expenses	363.7	363.9	419.0
<b>Total, NNSA</b>	<b>12,526.5</b>	<b>12,503.6</b>	<b>13,931.0</b>
Defense Environmental Cleanup	5,289.7	5,279.7	5537.2
Other Defense Activities	776.4	774.9.5	815.5
Defense Nuclear Waste Disposal	—	—	30.0
<b>TOTAL, DEFENSE ACTIVITIES</b>	<b>18,592.7</b>	<b>18,558.2</b>	<b>20,313.7</b>

	<b>FY2016 Enacted</b>	<b>FY2017 Enacted</b>	<b>FY2018 Request</b>
<b>POWER MARKETING ADMINISTRATION (PMAs)</b>			
Southeastern	—	—	—
Southwestern	11.4	11.4	11.4
Western	93.4	93.2	93.4
Colorado River Basins	-23.0	-23.0	-23.0
<b>TOTAL: PMAs</b>	82.0	81.8	82.0
<b>Total</b>	<b>29,602.6</b>	<b>32,498.9</b>	<b>28,041.6</b>

**Source:** FY2018 DOE budget request